UNCLASSIFIED

6/p.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

KOREA: ELEMENTARY/MIDDLE SCHOOL PILOT PROJECT

AID-DLC/P-1009

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

UNCLASSIFIED

AID-DLC/P-1009

April 5, 1972

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Korea: Elementary/Middle School Pilot Project

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed $2,500,000 to the Government of the Republic of Korea to assist in financing the foreign exchange costs of certain educational equipment, materials and supplies, including library books, and of technical assistance required to implement a pilot project in elementary/middle school education in the Republic of Korea.

Please advise us as early as possible but in no event later than close of business on Friday, April 14, 1972, if you have a basic policy issue arising out of this proposal.

Rachel R. Agee
Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
ANNEXES A-C

AID-DLC/P-1009
April 5, 1972

KOREA: Elementary/Middle School Pilot Project

Table of Contents

AID-DLC/P-1009

KOREA: Elementary/Middle School Pilot Project — April 5, 1972

SUMMARY AND RECOMMENDATIONS

1. Borrower: The Government of the Republic of Korea (ROKG).

Implementating Agency: The Korea Educational Development Laboratory (KEDL), operating under the Ministry of Education (MOE).

2. Amount: Not to exceed $2.5 million.

3. Terms: Principal to be repaid over a period of 40 years, including a 10-year grace period, interest to be repaid semi-annually, beginning six months after the first disbursement under the loan, at the rate of 2% per annum during the grace period and 3% per annum thereafter.

4. Description of Activity to be Financed: Proceeds of the loan will be used to finance the foreign exchange costs of educational equipment, library books, technical assistance, training and related services including international travel required for the development and implementation of a pilot project concerning educational reform.

5. Purpose: To assist the ROKG in restructuring its approach to, and continuing improvement of, public education at the elementary and middle school level, with the ultimate objective of providing to an increasing number of Korean children, at a lower cost, a higher quality education of greater relevance to the needs of the society and the individual.

6. Estimated Cost of Activity: $7.2 million, consisting of $2.5 million in foreign exchange requirements (to be covered by the proposed loan), and $4.7 million equivalent[1/] in local currency (won) requirements.

7. Other Sources of Financing: Financing for this activity is not known to be available on comparable terms from other free-world sources. Neither the Export-Import Bank of the United States nor the World Bank are interested in financing this particular activity.

8. Mission Views: The Mission recognizes and concurs with the high priority which the ROKG attaches to educational improvement, and finds the proposed project exceptionally promising; accordingly, the Mission recommends authorization of the proposed loan.

1/ Exchange rate of ₩ 370 to $1.00 used throughout this paper, except where otherwise noted.

9. Environmental Considerations: The project committee has reviewed this loan proposal within the context of A.I.D. M.C. 1214.1, and has concluded that the proposal does not qualify as a project having a significant environmental impact, and that no potential deleterious side effects are likely to result from the project.

10. Issues: There are no issues presented by this loan proposal.

11. Statutory Criteria: All statutory criteria have been met (See Annex A).

12. RECOMMENDATION: Authorization of a loan in the amount of $2.5 million to the ROKG, in accordance with the terms and conditions stated in the Draft Loan Authorization (See Annex B).

Project Committee

Loan Officer and Chairman:	Richard B. Perry, ASIA/EA/CDF
Country Desk:	Chester S. Bell, Jr. ASIA/KPA/K
Education Advisors:	Wm. M. Williams, SA/IR/TECH Robert M. Morgan, USAID/Korea Harold Freeman, ASIA/TECH
Legal Advisor:	Herbert E. Morris, GC/ASIA/EAD
Engineering Advisor:	Paul H. Beidler, SA/IR/ENGR
Drafted by:	Wm. M. Williams Richard B. Perry Chester S. Bell, Jr.

AID-DLC/P-1009

April 5, 1972

I. Background and Introduction

The Republic of Korea, with a population of 32 million people, is a rapidly developing nation with all of the opportunities and problems associated with technological change, industrialization, and rapid urbanization. In moving from a predominantly agrarian economy to a more industrialized economy, the Korean people have demonstrated a willing acceptance of new ideas, and new technologies.

Korea's GNP increased from $3.0 billion in 1960 to over $7.0 billion by 1970. In the same period, per capita income doubled and exports rose from $20 million to $835 million. There seems to be general agreement that a high level of economic growth will continue in the decade of the 70's. This rate of development has had a marked effect on Korea's manpower requirements. In the period 1965 to 1971, employment in the manufacturing and technical occupations doubled, while the need for uneducated and unskilled workers diminished. These trends are also expected to continue.

However, the Korean education system of today is seriously handicapped in responding to the changing national needs. In 1953, immediately following the invasion of the South by North Korean and Chinese Communist forces, the public education system was in a shambles and virtually did not exist. In the ten years following the Korean War, the ROKG, with foreign assistance, made a massive effort to rebuild its educational programs. Thousands of new classrooms were built, teachers were hastily trained and new curricular materials were assembled. These programs were necessarily less than ideal and had to borrow heavily from traditional American educational philosophy and practice.

By the late 1960's, the inadequacy and irrelevancy of the system had become evident to many Korean educators and government leaders. Although the ROKG invests approximately 19% of its national budget in education, the lion's share of which goes to the compulsory elementary level, and permits almost 97% of Korean children to complete six years of schooling, only a few more than half of these children can be accomodated in the middle schools (grades seven, eight and nine), and only about 30% will reach high school. Further, elementary education is deficient in many respects. For example, Korea needs to employ some 25,000 new teachers this year and trained, qualified teachers in such numbers are not available, nor is it likely they will become available in the foreseeable future.

In 1970, Korea had approximately 6.7 million children enrolled in the elementary-middle schools, but at the same time nearly one million of the middle school age group were out of school. By 1976, it is projected that there will be 8.5 million children in this age group,

and it is considered essential to Korea's continued economic development to substantially increase the percentage of children who complete middle school. Apart from the obvious socially beneficial reasons for doing this, Korea's industry and business have a rapidly growing need for manpower with at least this level of education and training. In addition, studies on rates of return on educational investment in Korea indicate that the return on a middle school education (20%) is much higher than for high school or college.

For the foregoing reasons, a decision has been made by the ROKG to expand educational opportunity so that "free"[1] education, now available only through the sixth grade, will be available through the ninth grade for all Korean children. At the same time, it is evident that this national aim cannot be achieved through a simple expansion of the existing system. Education's share of the national budget is about as large as it can be, and even if more funds were available, the necessary numbers of teachers are not available. It follows that if educational opportunity is to be significantly increased, the ROKG must develop forms of education that substantially differ from current practices.

Over the past five years several in-depth studies have been made of the Korean education system. These have ranged from specialized studies of problems associated with curricula reform, school finance and school facilities, to a comprehensive system analysis of the entire public educational program. In a study performed by Florida State University in 1970,[2] focus was on those issues which would help the ROKG provide a better, more relevant education for more Korean young people at a lower unit cost, and at a total cost not greater than the nation could afford. The study team, in collaboration with key Korean educators, analyzed current utilization of resources available to the national school system and suggested alternative ways those resources might be deployed through efficient educational practices yielding more effective results. In contrast to current educational programs, the new system, to be developed through this project, is markedly different and innovational. The features of the new system have been judged sensible and amenable to local development by responsible Korean educational leaders, and it is generally recognized that the magnitude

1/ Although referred to as "free", elementary/middle school education in Korea is supported in part by parental contributions to pay for books and materials and to supplement teachers' salaries, and building and activities funds.

2/ This report, entitled Systems Analysis for Educational Change: The Republic of Korea, 329 pages in length, is incorporated herein by reference and is available on request from the project committee.

of the problem precludes solution by half-measures or anything less than a major reform effort.

The development, implementation and evaluation of this new system - in the form of a pilot program in one Korean city - constitute the project which the A.I.D. loan proposed herein will assist in financing.

The Borrower of the A.I.D. loan will be the ROKG. The Beneficiary/ Implementing Agency will be the Korea Educational Development Laboratory (KEDL), an entity which has been established within the Ministry of Education (MOE). KEDL will have direct responsibility for carrying out the project from the research and development required to design and construct the new system through the testing and evaluation of the system. Although responsible to the Minister of Education, KEDL has been given the administrative autonomy necessary to accomplish its mission, and the financial arrangements are considered satisfactory to meet the needs (see Section II.D., Financial Considerations). The staff of KEDL is to include carefully selected, highly qualified educational specialists whose appointment, tenure and salaries will not be covered by normal Korean civil service regulations. However, KEDL will require technical assistance from a U. S. institution for several aspects of the project, and such assistance will be financed under this loan.

An important aspect of this educational reform effort is the role of Florida State University (FSU). This institution, in connection with its Graduate School of Education, has developed a Center for Educational Technology, specifically established to conduct research and development on problems of applying modern technology to the education process, with the primary objectives of increasing the quality of education while reducing per capita cost. FSU undertook this effort mainly as a result of action by the State Legislature of Florida, which foresaw a critical need to improve the quality of public education with severe budgetary constraints. The effort was further encouraged by A.I.D., which awarded a $1 million grant to assist the Center in broadening its activities of research in problems of education in developing countries. In the process of developing the Center, FSU has assembled a distinguished faculty of specialists. Among this faculty is Prof. Robert M. Morgan, Director of the Center, who is presently serving as full-time advisor to the Government of Korea for the planning and development of the Elementary/Middle School Pilot Project.

As mentioned earlier, Florida State - largely under the direction of Prof. Morgan - conducted a basic study of the Korean school system, and this project is based largely on the findings and recommendations of that study. Further, it is anticipated that Florida State's continued involvement in this project will be made possible through a contractual relationship to be financed by a portion of the proceeds of this loan.

II. Project Description and Analysis

A. Purpose of the Project

With the obvious overall objective of correcting the deficiencies of elementary and middle-school education, the immediate purpose of the pilot project is to complete in every detail the research and development of instructional programing, materials, teacher-training and other instructional resources to be followed by testing and evaluation. This would provide the necessary data and experience base upon which the ROKG could make a decision as to the feasibility of installing such a system on a nationwide basis.

This pilot project is a five-year process with research, development, and step-by-step validation taking place during the first four years. In the fifth year, 100,000 pupils in grades one through nine in the "pilot city" (to be selected) will study a significantly improved curriculum and be taught by retrained teachers using the most advanced technologies available.

Essential to the success of this project is at minimum an acceptance of - if not enthusiasm for - the project and its objective by the public and the education profession in the locality in which the system will be tested. The ROKG recognizes the importance attached to the selection of the "pilot city", and is planning an extensive national public information program to be inaugurated upon the signing of the loan. Information dissemination at the professional and governmental level is already underway. The Director of KEDL and the Minister of Education made a detailed presentation of the project to a meeting of Provincial School Superintendents, and complete briefings have been given to the Minister of Home Affairs, the Prime Minister, and the Special Assistant to the President. The Prime Minister felt the project to be of sufficient importance and interest to schedule a special presentation to President Park Chung Hee in the very near future.

A study is now being conducted to determine the most appropriate province and city for the pilot testing of the project, and the selection is expected to be made by mid-1972.

Reaction to the project to date from both governmental and educational groups is uniformly favorable, as is indicated by the foregoing and by the fact that several provincial school superintendents have petitioned the MOE to select a community in their provinces for the pilot project.

In the USAID's opinion, the ROKG is obviously aware of the sensitivity of this project, and is carefully planning measures to gain widespread public support.

B. Deficiencies of the Present System

Korean education in the elementary and middle schools (grades one through nine) is characterized mainly by rote-memorization of classical material, useful primarily for passing the examination required for progression from one level of school to the next. The skills of analysis, critical thinking, rational inquiry, and the habit of continuing to educate oneself in adult life and on the job are neglected. Korean teachers necessarily rely in large measure on the lecture method in teaching their students. Listening to the teachers and taking notes are virtually the only classroom activities of the students.

The basic problems existing in the national system of education can be categorized as follows:

- Educational Objectives for the nation's schools are comprehensive and worthy of attainment, but the result of the process is primarily the ability of the student to memorize what he is told and repeat it back without analysis and without application to his own role in life.

- The Curricula contain out-dated elements, often repeating the same topics in different grade levels, and does not form - from grades one through nine - a systematic organization based on the fundamental structure of knowledge in the particular field.

- Teaching Materials, such as textbooks, are severly limited in scope, and reference and supplementary materials are in critically short supply, a fact which tends to pace the rate of instruction to the average student, with fast and slow students being equally handicapped in reaching their full potential.

- Qualifications of Teachers are low, with about half of the current teaching force being inadequately trained, particularly in rural areas. Many teachers who have invested time and money in preparation are leaving the profession for better paying jobs.

- Financial Constraints on providing free public education for all children of the elementary and middle school age group are severe, even though the visible or public expenditure for education will amount to 18.9% of the national budget in 1972 (an increase of 22% over 1971). Personnel expenditures (for teachers, administrators, and other staff) account for 78% of the education budget, and it is clear that only by increasing the productivity of each teacher in relation to students taught and failures or repeaters eliminated, can a more cost-effective system be created.

- Compulsory Education for elementary school pupils has been prescribed as "free" since 1948, but the goal has not been reached since even today 25% of the total cost of education is contributed directly by parents. The plan to make education free through the ninth grade by 1980 will require additional public funds or a reduction in the per capita cost.

- Regional Variations in the Quality of education are severe with the better teachers, buildings, and instructional materials being found in urban areas, the curricula in rural areas showing very little relevance to rural needs, and with middle school teachers in rural areas being required to double up in teaching subjects for which they have no preparation.

In summary, Korean education in this decade is faced with the massive problems of increased enrollment, lagging preparation of teachers, diminishing quality, and no improvement in the productivity quotient of the teacher. Since, for many years to come, the majority of Korean youths will terminate their formal schooling at the end of the ninth grade, there is an unquestioned need for the nation's schools to turn out ninth grade graduates who have been taught skills and attitudes of mind which will make them continously further-educable and further-trainable on the job as they take their place in society and the labor force.

C. Detailed Description of the Project

The proposed project incorporates four major areas of change from the present conventional system: (1) a different curriculum which emphasizes educational goals more relevant to both the national and individual needs, (2) a revised method of grouping students and administratively organizing the school, (3) a new range and mix of instructional resources, including the ways in which these resources are delivered to the student, and (4) the patterns of instructional staffing will be different.

1. New Educational Goals and Curriculum

There has been common agreement that learning outcomes in the elementary and middle schools in Korea seem to fall almost exclusively into the informational and skill categories of educational objectives. The students do appear to be acquiring with variable proficiency the skills of reading, writing and computation. However, the deficiencies in providing inquiry and problem-solving experiences are especially significant. Further, there is a clear need to provide an educational experience which will facilitate a person's continuing to learn after completing formal education.

There are a number of bases from which the content and educational goals of the proposed new system can be derived. Among these, one of the most fundamental is the forecasting of manpower needs, since this should reflect a major emphasis of the educational system in a developing nation. Attention must also be paid, however, to other broad goals which are likely to increase in importance as the nation advances. These broad goals include three general aims, which may be stated as: (1) providing the individual with the competence he needs to pursue a satisfying life-time occupation (2) establishing the social interactive skill, values, and the attitudes which comprise "good citizenship", and (3) making possible a progressive individual development in enjoyment of esthetic pursuits.

2. Student Grouping and School Organization

At the present time, the average elementary/middle-school enrollment in Korea is approximately 900 students per school. In the elementary schools this is divided into six levels or grades by student age; the middle schools are divided into three grades on the same basis. Instead of dividing the students into n groups of 50 to 60 children by age level, it is proposed to divide the students into instructional units of 300 each, the average school having three such units. In larger or small schools the students enrolled would be organized for instructional purposes into multiples of 300 or as near that number as can be approximated. Because of the individualized, automated, small group instruction anticipated, students will be grouped according to the similarity of their attainment of educational objectives, independent of their chronological ages.

Management of the instructional unit will become the responsibility of a four-person teaching team whose functions will be differentiated and carefully defined in terms of what each team member contributes to the learning experience of the students. This reorganization of the instructional unit will raise the student/teacher ratio from the present 55-to-1 to 75-to-1.

It is also proposed that the instructional unit (with 300 students and four teachers) will have six coventional classrooms permanently assigned to it. Roughly a third of the students' instruction will be provided by programmed television, and one of the six classrooms will be equipped for this purpose. With 100 students in the television room at any given time on a rotational basis, the other five rooms will be available for the instruction of the remaining 200 students in the instructional unit. This means the self and teacher-directed portions of the learning experience will occur with an average of forty students per room, yielding groups of manageable size and enough working space for the students.

3. The Instructional Resources

At the present time the curricula of Korean schools are almost exclusively determined by the textbooks and course syllabi approved by the Korean Ministry of Education (MOE) and most of the textbooks have been developed under the direction of MOE. Of all the teaching resources that might be employed, the Korean school is basically limited to two - the teacher and the textbook - and there are compelling reasons for reducing reliance on the teacher as an instructional resource in the learning process. It has been demonstrated that some of the material taught by the live teacher can be taught as well or better using less costly instructional resources.

It is proposed in the project to employ a broader range of instructional resources in order to improve the quality and effectiveness of the instructional process. Of the various instructional resources potentially available to Korean schools, it appears that individualized student-learning units, and programmed instructional television and radio are most appropriate. In both instances the instructional design concepts associated with programmed instruction (PI) will be crucial in the development of these instructional resources.

An important aspect of PI is the use of a variety of formats, media and instructional settings in such a way as to significantly and predictably enhance learning effectiveness. The by-products and concepts of PI, more important than PI per se, include the technique of operationally defined educational objectives, mastery learning, programmed multi-media instruction and educational accountability. These features of PI have particular relevance for the development of a new instructional system in Korea because (1) with appropriate materials it will yield a higher quality learning, (2) the students will learn more in less time, (3) a lower reliance and demand will be placed on teacher time, and (4) the student is placed in the position of taking a large measure of responsibility for his own learning.

On the basis of published Korean studies[1/] involving several thousand pupils, a high degree of confidence exists that the leadership in Korean education circles can effectively design and operate a system relying heavily on PI and on mastery learning concepts. These studies were conducted by the Korean Institute for Research in the Behavioral Sciences (KIRBS) and by the Central Educational Research Institute (CERI).

1/ See Kim, Ho-gwon: Mastery Learning in the Middle Schools; Seoul, Korea; Korean Institute for Research in the Behavioral Sciences, November, 1970.

4. Differentiated Instructional Staffing

The nature of the changes proposed in this project will require an extensive inservice staff training program to prepare teachers for the new roles they will need to play. Appropriate teacher performance in an individualized setting is different and there is no reason to assume that traditional teachers can effectively fit into the new programs without training. Prepackaged, individualized materials to equip teachers with the necessary new skills will be developed. These will be used with teachers in the pilot community schools, and will become part of the preservice curriculum of the teacher training institutions.

The mix of learning experiences envisioned for the new schools in Korea calls for a professional staff which will have differentiated specialities. As currently conceived, and subject to verfication through experimental tryouts, each instructional unit of 300 students will have a master teacher, two experienced associate teachers and one teaching assistant. This should provide a better means for having a range of competencies available to the instructional unit and make it possible to allocate different responsibilities to the individual professionals making up the team. The team functions will be derived from an empirical analysis of the new learning program and will require that special training be given to the team. It is also anticipated that the patterns of differentiation must allow for a career progression, for differentiated training to be provided and for relatively specific staff evaluation. These changes in the traditional role of the teacher will result in an increased efficiency of these personnel, thereby increasing the overall effectiveness of the educational system within a context which will be professionally rewarding to teaching personnel.

5. Comment on Proposed Reforms

It should be noted that the four areas of innovation discussed above have been developed well beyond the experimental stage. Each of the major techniques of instruction and school organization comprising this project has been researched, successfully demonstrated, and evaluated in public school systems in both developed and developing countries. Notable examples of such successes, assisted by A.I.D., are ITV in El Salvador, PI in Thailand, and instructional radio programming (coupled with correspondence courses) in Kenya. The concepts

of team teaching, PI and the use of self-instruction kits based on PI have also been successfully employed in several U.S. public school systems, including Pittsburgh, Duluth and Redwood City.

The proposed Korea project is somewhat experimental, however, in that all of these innovations are being combined to form an almost totally new educational system.

D. Financial Considerations

1. Overall Financial Plan

The financial requirements of this project are estimated to total $7.2 million - $2.5 million in foreign exchange, and $4.7 million equivalent local currency. Table 1 provides a breakdown of the estimated costs by major categories.

The projects' financial requirements will be met from two sources. The local currency (won) portion, approximately $4.7 million equivalent, will be provided from won funds generated under the FY 1972 Rice Loan (A.I.D. Loan No. 489-H-084), which was authorized on Jan. 27, 1972. This loan, in the amount of up to $17 million, will finance the export of 100,000 tons of U. S. rice to Korea. In the Rice Loan Agreement (which we anticipate will be signed in the very near future), the ROKG will covenant to use local currencies generated by the sale of the rice for this educational development project in the amount required by the project. As shown in Tables 2 and 2-A, approximately $460,000 equivalent will be required in 1972 (beginning April 1). Inasmuch as the rice procurement/shipping cycle will not commence soon enough to result in currency generation by April 1, the ROKG has agreed to provide such interim won financing as may be necessary. The loan agreement will require, as a condition precedent to disbursement, the ROKG to submit a plan for providing the local currency as required by the needs of the project.

2. The Proposed Loan

Dollar requirements of the project will be provided by the proposed $2.5 million A.I.D. Loan. The loan will finance (1) the procurement of equipment and library books, (2) technical assistance, in the form of training, and an Overseas Coordinator under contract to the ROKG, and (3) international travel. Table 3 gives the yearly foreign exchange requirements according to the foregoing categories.

Terms recommended for the proposed loans are A.I.D.'s standard concessionary terms, i.e. principal repayment over 40 years, including a 10-year grace period, with annual interest of 2% during the grace period and 3% thereafter. A discussion of Korea's balance-of-payments position and debt servicing capacity appears in Part V. of this paper.

TABLE 1

ESTIMATED BUDGET SUMMARY
April 1972 - March 1977

	Local Currency	U.S. Currency
1. Personnel	2,977,950	-
a) KEDL Staff Salaries & Allowances	2,893,950	-
b) Korean Consultants - 210 man months at $400/month	84,000	-
2. Equipment	306,481	1,634,785
a) ITV and Audio Visual Equipment	129,481	1,634,785
b) Laboratory Furniture & Equipment	125,000	-
c) Computer-lease time	31,000	-
d) Equipment Maintenance	21,000	-
3. Travel	24,150	45,000
a) Domestic Travel - 966 trips at $25	24,150	-
b) International Travel - 30 trips at $1500	-	45,000
4. Training	83,916	-
a) Pilot School Teacher Training - 1332 teachers @$63	83,916	-
5. Technical Assistance	21,200	538,240
a) Overseas Coordination & Tech. Assist.	21,200	358,240
b) KEDL Staff Training in USA - 20 trainees at $9000		180,000
6. Other Direct Expenses	1,123,078	90,000
a) Library Acquisitions - 10,000 volumes at $10	10,000	90,000
b) Instruction Materials Reproduction	203,378	-
c) Supplies and Materials	208,378	-
d) Laboratory Space, Telephone and Utilities	357,000	-
e) Conferences and Contract Research	344,322	-
7. Contingency	163,225	191,975
TOTAL	$4,700,000	$2,500,000
Grand Total	$7,200,000	

TABLE 2: KEDL LOCAL CURRENCY REQUIREMENTS IN DOLLAR EQUIVALENT

CATEGORIES	1972	1973	1974	1975	1976	TOTAL
PERSONNEL:	139,995	718,172	856,635	757,517	505,631	2,977,950
EQUIPMENT: ITV and Audio Visual Equipment, Laboratory Furniture & Equipment, Computer-lease time, Equipment Maintenance	93,700	127,000	52,781	12,000	21,000	306,481
TRAVEL:	4,150	5,000	5,000	5,000	5,000	24,150
TRAINING:	10,000	20,000	39,916	8,000	6,000	83,916
TECHNICAL ASSISTANCE:	4,000	5,000	5,000	4,000	3,200	21,200
OTHER DIRECT EXPENSES: Library Acquistions, Instruction Materials, Supplies and Materials, Laboratory Space, Telep. and Utili., Conferences and Contract Research	196,756	310,000	305,000	260,000	141,322	1,123,078
CONTINGENCY:	28,300	40,300	42,300	40,400	11,925	163,225
TOTALS:	461,901	1,192,972	1,288,132	1,072,917	684,078	4,700,000

TABLE 2.A.

Schedule for Release of Local Currency to KEDL

Date	Dollar Equivalent Won Amount
April 1, 1972	229,950.50
October 1, 1972	229,950.50
April 1, 1973	595,486.00
October 1, 1973	595,486.00
April 1, 1974	643,066.00
October 1, 1974	643,066.00
April 1, 1975	535,458.50
October 1, 1975	535,458.50
April 1, 1976	342,026.50
October 1, 1976	342,026.50

TABLE 3. [illegible] BY YEAR

CATEGORIES	1972	1973	1974	1975	1976	TOTAL
1. PERSONNEL:	-	-	-	-	-	-
a) MODL Staff Salaries & Allowances	-	-	-	-	-	-
b) Korean Consultants	-	-	-	-	-	-
2. EQUIPMENT:	480,000	1,110,471	44,314	-	-	1,634,785
a) TV and Audio Visual Equipment	480,000	1,110,471	44,314	-	-	1,634,785
b) Laboratory Furniture & Equipment	-	-	-	-	-	-
c) Computer-lease time	-	-	-	-	-	-
d) Equipment Maintenance	-	-	-	-	-	-
3. TRAVEL:	7,800	9,800	9,800	9,800	7,800	45,000
a) Domestic Travel	-	-	-	-	-	-
b) International Travel	7,800	9,800	9,800	9,800	7,800	45,000
4. TRAINING:	-	-	-	-	-	-
a) Pilot School Teacher Training	-	-	-	-	-	-
5. TECHNICAL ASSISTANCE:	161,000	150,000	105,000	79,200	43,040	538,240
a) Overseas Coordination & Tech. Assist.	26,000	105,000	105,000	79,200	43,040	358,240
b) MODL Staff Training in USA	135,000	45,000	-	-	-	180,000
6. OTHER DIRECT EXPENSES:	15,000	32,500	18,500	14,000	10,000	90,000
a) Library Acquisitions	15,000	32,500	18,500	14,000	10,000	90,000
b) Instruction Materials	-	-	-	-	-	-
c) Supplies and Materials	-	-	-	-	-	-
d) Laboratory Space, Telep. and Utili.	-	-	-	-	-	-
e) Conferences and Contract Research	-	-	-	-	-	-
7. CONTINGENCY:	50,000	75,975	40,000	25,000	-	191,975
TOTALS:	713,800	1,379,746	217,614	128,000	60,840	2,500,000

III. Project Justification

A. Place of the Project in the Program and Relationship to A.I.D. Priorities

In the Country Field Submission prepared in the summer of 1969, the A.I.D. Mission acknowledged that the previous emphasis of the A.I.D. program on industrial and infrastructual development was no longer sufficient for Korean needs. Great progress had been made by the Koreans in achieving self-generating industrial growth and essential infrastructure needs were being increasingly met by other aid donors. The CFS proposed, and subsequent country program reviews endorsed, a shift in program emphasis to those sectors which had received inadequate attention previously by the ROKG, A.I.D. and other donors. These sectors for the most part fell in the areas of social development, while concurrently being supportive of continued economic development. These social areas of program concentration were to be: agriculture, education, urban development, social insurance, and family planning.

It is the ROKG's intention in the Third Plan period, 1972 - 1976, to improve the general quality of education by constructing more and better school facilities, improving the geographic distribution of middle schools throughout the country, providing free textbooks and making other improvements. Technical training will also be emphasized in the Plan to help meet critical technical manpower needs as industry grows, and additional vocational training centers will be established to increase opportunities for occupational training.

This project, by emphasizing improved instruction, and reducing regional differences through the eventual use of a national instructional television network, addresses these social and economic concerns directly. Further, investment in educational reform, which should contribute significantly to Korea's ability to make increasingly more effective inputs of human resources to its development effort, is totally consistent with overall objectives of both the ROKG and A.I.D.

B. Economic Considerations - Benefits of the Project

It should be recognized that education plays crucial roles in achieving cultural and humanistic goals beyond economic ones. At this time, however, there are no accurate, objective methods for evaluating the project in such terms, and the justification here will be confined to economic aspects.

The proposed project can be justified primarily from two standpoints: (1) decreasing the per student educational costs with improved educational quality and (2) improving the preparation of children for vocational and industrial training beyond the middle school level.

1. Decrease in Educational Costs

In order to effectively cope with the severe financial constraints in Korea at the present time, it would be imprudent to attempt implementation of expensive educational innovations. Effort must be made to find ways to reduce educational expenditure per student and raise the effectiveness of education at the same time.

Public education required 18.9% of the ROKG budget, and comprised 3.2% of GNP in 1971. Although the proportion of public education expenditure to GNP is low in comparison with other developing countries, Korea is faced with enormous fiscal demands for its national defense and economic development. In order to put the Korean economy more safely on the road of self-sustained growth, without losing the momentum obtained in recent years, continuing investment must be made in physical infrastructure. Thus, the savings made possible by this revised approach to education - when implemented on a nationwide basis - will permit the investment of resources according to the country's need for social development through improved education and its ongoing requirement for economic infrastructure.

Table 4 shows an estimate of the total educational expenditure in 1970, and the portions contributed by the government and the public. Of the approximately 105 billion won ($303 million) spent in 1970 for elementary and middle school programs, 60% was contributed by the government, while 40% came from the family or the public. In addition to the expenditures shown, Korean families pay for transportation, stationary, out-of-school tutoring, etc. Without taking into account these out-of-school expenditures, the annual educational cost per student in Korean elementary and middle schools in 1970 was 14,863 won ($45. equivalent).

In the new educational system to be developed through the project, the per student educational cost will be reduced to 12,828 won, approximately 2,000 won lower than the 1970 unit cost. Table 5 shows an estimate of monthly and annual operating costs for a "typical" small school of 900 students. School year operating expenses for a projected new school of this size amount to 11,545,000 won - ($31,200 equivalent) whereas 13,377,000 won ($36,150 equivalent) would be required in the coventional school. In the event that the

TABLE 4

SCHOOL EXPENSE* - ELEMENTARY AND MIDDLE LEVELS, 1970

(in Millions of won)

	Primary School	Middle School	Total
Tax Contribution	54,362.9	5,068.8	59,431.7
Endowment & Gift	-	1,767.3	1,767.3
Family Contribution			
PTA	11,476.3	9,606.5	21,082.8
Tuition & Fee	488.6	12,039.4	12,528.0
Expenses for Experiment & Practical Training	-	1,075.9	1,075.9
Expenses for Student Activities	-	1,530.6	1,530.6
Text & Materials		3,052.3	7,634.3
Total	70,909.8	34,140.8	105,050.6
Per Student 1/	12,334	25,888	14,863

Source: The Statistical Yearbook of Education: 1970
Ministry of Education, Korea

* The costs of central and local school administration are excluded.

1/ The figures are as shown, i.e., not in millions of won.

TABLE 5

OPERATING COSTS FOR SINGLE SCHOOL WITH 900 STUDENTS

	Monthly	12 Months
1 Principal	₩ 80,000	₩ 960,000
2 Assistant Principlas @ 60,000	120,000	1,440,000
2 Secretaries @ 20,000	40,000	480,000
2 Custodians @ 15,000	30,000	360,000
3 Teaching Teams	480,000	5,760,000
Total Personnel Expenses	₩ 750,000	₩9,000,000
Utilities		₩ 372,000
Supplies		270,000
Texts, Student Learning Unit & Instructional Materials		1,395,000
Replacement & Repairment of TV Sets and Radio		78,000
Expenses for Student Activities and Health		150,000
Expenses for Special Events		300,000
Total Expenses		2,545,000
	TOTAL	₩11,545,000
Per Student Costs		₩12,828

new system is implemented throughout the nation in 1976, the total annual expense for the 8.5 million students expected at the elementary/middle school level would be 109,038,000,000 won. At the current rate of expenditure that same number of students would cost 126,335,000,000 won, which indicates a savings of about 17 billion won ($46 million equivalent) per year.

Research and analysis show that the per student educational cost can be lowered by reducing the labor intensiveness of the Korean educational system. Teaching and administrative personnel is the most expensive component of the present educational system in Korea. Currently, of total operating expenses for elementary schools, nearly 78% is for personnel. In the new system, students will spend more school hours studying with the instructional materials for self-directed learning and with ITV and radio programs, and a functionally-differentiated teaching team will teach students organized into various size groups. Through these means it will be possible to reduce the reliance upon individual teachers in classroom activities, and to increase the student/teacher ratio, thereby realizing savings in personnel costs.

It should again be emphasized that the reduction of the per student educational cost will not sacrifice the effectiveness of education. On the contrary, it is a primary purpose of the proposed project to raise the effectiveness of education while reducing costs.

2. Contribution to Manpower Development

During the last decade, as Korea has industrialized rapidly, the gap between the demand and supply of trained or trainable manpower has become wider and wider. It is anticipated that the manpower gap will continue to be serious in the foreseeable future. Many manpower studies have warned educational policy makers that, if the conventional education system is not drastically changed to better serve the manpower demands of the society, the economic growth of Korea will be seriously hindered.

The major educational implications derived from various manpower studies are as follows:

(1) Employment opportunities for people with secondary education will greatly increase, whereas opportunities for those having only elementary schooling will be decreased. There is a general surplus of unskilled and semi-skilled labor; on the other

hand, there is a large oversupply of college graduates from the general academic and humanities curricula.

(2) In the technical categories, the supply of high-level manpower such as scientists, engineers and professionals, and of semi-skilled craftsmen may well exceed future requirements. On the other hand, skilled technicians will be in short supply. One impediment to the solution of this problem is the fact that on-the-job training in Korean industry has been poorly developed. It is therefore felt that a long-range solution must be found in reordered educational priorities in the public schools.

The present elementary and middle school programs in Korea are considered extremely inappropriate for preparing children for occupations in the rapidly developing economy and changing society. The existing school curricula seriously lack relevance to the needs of the Korean economy and society. The proposed project is intended to enhance the relevance of curricula and broaden educational objectives in the on-going processes to include high-mental functions such as the development of problem solving abilities and inquiry skills. The new elementary-middle school program, as preoccupational education, will serve to increase the graduate's employability, trainability and occupational mobility. In other words, the products of nine years of education in the new system will grow into a valuable inventory of manpower which, with limited but specific additional training, can be prepared for technical skilled occupations as these needs develop and change. This should result in future, long-term savings in industrial personnel development and training costs.

3. Additional Economic Benefits

In addition to the benefits of cost reduction and contribution to the economy's manpower requirements, the previously-mentioned Florida State Report offers a good indication that educational investment at the middle school level in Korea will produce a relatively high economic rate of return, a rate which exceeds investment at both the secondary and college levels (see Table 6). A thorough discussion of this rate of return analysis is presented in Chapter 3, Economic and Manpower Considerations for Korean Educational Planning, of the Florida State Report.

TABLE 6

RATES OF RETURN ON EDUCATION IN KOREA

Level of Education	Rate of Return
Middle School	20.0%
High School	11.2%
College and University	9.5%

Source: Robert M. Morgan and Clifton B. Chadwich, Systems Analysis for Educational Change: The Republic of Korea, Department of Educational Research, The Florida State University, 1971, pp 48-70.

Although there seems to be a methodological difficulty in estimating the rate of return on elementary education, due to graduates of elementary schools entering the labor market long after graduation, there is a general consensus that elementary education fosters basic capabilities and traits required to be productive members of the society. Whether or not they advance to higher levels of education, elementary schooling exerts far greater influence upon a majority of Korean people than does the upper levels of education. Further, the effect of elementary education may be multiplied through higher levels of education; i.e. the rate of return of investment in higher levels of education is determined, to a certain extent, by the nature of elementary education.

In Korea, the enrollment in elementary schools has almost reached the maximum (97%). As previously mentioned, however, the Korean elementary school is typically characterized by overcrowded classrooms, rote memorization, and over-reliance on textbooks and teacher-dominated lectures. In such settings, schools are not able to effectively impart to students basic skills and knowledge that is essential for their future adult roles and for their continuing education at the upper levles.

It can thus be concluded that the improvement in the quality of

primary and middle school education is the most strategic point at which to raise the economic and social benefits of education to the Korean society.

C. Other Considerations

Beyond the immediate objectives of the project with respect to Korea's developmental efforts, the combined educational reforms conceptualized in this proposed system hold definite promise of applicability in many other countries of both the developed and developing world. In this regard, a particular interest in the outcome of the project has been expressed by educational researchers at Harvard University and the University of California at Berkeley, and by education experts of the World Bank. During informal discussions concerning Korean education, members of the World Bank's staff expressed their endorsement of the Florida State Study and the proposed project, specifically stating their agreement that the basic objectives of the project are of the highest priority to education in Korea.

IV. Project Implementation

A. The Korean Educational Development Laboratory

The development and implementation of the new elementary-middle school program for Korea will be a substantial undertaking. There has been no agency within the ROKG whose mission has been defined as educational research and development. There are, however, a significant number of sophisticated Korean educational researchers experienced in various aspects of the proposed project. These professionals have been scattered among various universities and small research institutes and no one of these organizations has had the "critical mass" of key personnel to successfully mount the proposed project. In order to coalesce this professional talent the MOE has established a new entity - the Korean Educational Development Laboratory (KEDL). KEDL will serve as an adjunct to the MOE, and its primary mission will be the development and implementation of the elementary-middle school project. KEDL's mission encompasses a series of tasks essential to the success of the project, which include: (a) development of new instructional systems; (b) design and construction of new learning programs including material and aids; (c) development and installation of appropriate supportive hardware systems; (d) minature tryout, followed by community experimentation in a single city; and (e) the evaluation, revision and preparation of the system for its eventual nationwide implementation.

Because of the research nature of its mission and the need to flexibly utilize professional educational researchers, it is not anticipated that KEDL will become a separate government agency. It will, rather, function as an extension of the MOE - a research arm of the Minister and under the administrative authority of the Ministry - but not a bureaucratic component of that agency.

The Director of KEDL, appointed by and responsible to the Minister of Education, will be responsible for the planning and implementation of the project and will have authority over staff selections and project funds expenditures. The Director is assisted by two Associate Directors, one for Research and Development, and one for Administration.

The Research and Development Division, Technical Support Division, and Educational Information Center come under the control of the former Associate Director. The Research and Development Division is the unit for the development of curriculum and various instructional resources and systems and the experimentation with and the implementation of the resources in the school system. The Technical Support Division will produce ITV programs and transmit them to schools. The Educational Information Center carries out the functions of development of a storage

and retreival system of educational information and collection of a variety of instructional materials. The Associate Director for Research and Development is also in charge of organizing and operating various ad hoc committees composed of experts inside and outside of KEDL.

The management unit under the supervision of the second Associate Director consists of a General Affairs Section and a Public Information and Reproduction Section. The General Affairs Section contains the units for personnel, accounting, procurement and supply, and maintenance. Public Information and Reproduction Section performs the tasks of development of public relations and dissemination of information regarding the project.

For the internal communication and coordination of KEDL, standing and temporary committees will be formed at the various levels of the organization.

A small group of experienced, highly qualified educational specialists has been recruited to proceed with detailed project management planning. This group will serve as the nucleus around which the full KEDL complement will be built. The members of this nucleus group represent a wide spectrum of functional fields in education, including systems analysis, instructional design, curriculum specialities, information managment, and measurement and evaluation. KEDL's Director and his two Associate Directors, as well as other key staff members have earned graduate degrees in their fields from various universities in the U. S., and have had significant functional experience in both the U. S. and Korea. These educators have been carefully selected and, in the USAID's opinion, are exceptionally well-qualified to direct the project.

B. Project Work Plans and Schedules

During the development of the pilot project, plans and schedules will be under constant scrutiny and modifications will be made as feedback and evaluation indicate. However, the basic tasks and the schedule, in outline form, are foreseeable, and the research strategies already described permit an identification of specific tasks essential to the successful execution of the project, as follows:

1. Benchmark Evaluation of Current Curricula and Instructional Practice

Clarification and specification of educational goals and objectives is the first step in designing and launching educational reform. During the first year, an assessment and evaluation of the learning outcomes attained by students in the current school system will be carried out by a group of curriculum specialists, instructional psychologists, and measurement specialists.

2. Design of New Curricula and Instructional System

The second task, beginning in the latter half of the first year, is to move from the benchmark position to the design of the new curricular and instructional practices. This will involve selecting educational objectives so that individual and social needs will be reflected, defining the objectives in behavioral terms (with specification of terminal behavior which the learners will be able to demonstrate at the completion of instruction), sequencing and structuring the objectives into a hierarachy, and organizing relevant learning experiences.

This curricula design will require identification of appropriate instructional resources matched to objectives with alternate instructional paths for different groups and individuals.

Involved in this essential design of curricula and of instructional methodology will be media specialists, instructional psychologists, subject matter experts, and experienced teachers forming a team working under the leadership of an instructional designer.

3. Development of Adequate Measurement Devices

The value of modern technology harnessed to the task of instruction must be measured by its capacity to improve learning. In order to optimize the adoption of innovations it is necessary to develop an efficient appraisal and evaluation system which will provide policy-makers and the public in general with extensive information about the various achievements, changes, etc. which are provided by these innovations. Testing and evaluation will be developed with respect to the student level (both the performance of individual students and of various groupings of students), and with respect to the component level (i.e., the performance of the various educational components which comprise the system being developed in this project).

Various testing devices will be used by the teacher in the new system to determine if the student can perform at the specified level. Further, the new instructional system requires more frequent student testing activities in order to make full use of immediate reinforcement and proper feedback. These tests are needed not only for the evaluation of the new instructional system, but also for the enhancement of learning activities during the instructional process.

Development and construction of these testing materials will require a series of creative sub-tasks. It begins with well specified behavioral objectives, followed by creative item construction work, and ends with a set of items or devices well validated through repeated field tryouts and revisions. The development and construction is to be carried out by a professional team consisting of measurement and

evaluation specialists and subject-matter experts. The task can begin immediately following the specification of the behavioral objectives.

4. Development of Instructional Programs and Aids

Approximately 8,000 instructional hours of learning programs and materials will be developed. Of the 8,000 hours, about 2,650 will be in the form of Instructional Television (ITV) and radio. Students in grades one through nine in the pilot community will receive four lesson-hours daily of the newly developed programs, of which one-third will be ITV and radio programs. Successful implementation of the new system will, of course, depend heavily upon the proper development of the instructional program material. This instructional development task is the most expensive and time-consuming part of the project. The hardware components of the proposed system, such as ITV, radio and other information processing devices can achieve their potential for improving education only insofar as the instructional developers provide relevant, well-developed and properly organized programs.

Twenty-eight program development teams will be organized, and different programs will be assigned to each team for development during the second and third year of the project. Each team will be composed of six members (one editor, four professional program writers, and one evaluation expert) working under direction of a Senior Researcher, and will be supported by a committee of subject matter specialists. Each Senior Researcher will supervise four production teams.

As stated earlier, the programs will take a variety of different forms according to the subject matter and the associated learning objectives. They will mainly consist of programmed materials for self-study, student-learning units, ITV and radio programs. Some will involve the use of multiple media integrated as a system, and some will be developed for common use among different grades whenever it seems necessary and appropriate. In addition to the foregoing, other auxiliary materials and aids, such as programmed reference materials, work sheets, etc., will also be developed for use in conjunction with the main resources. This software development activity will require a significant amount of training for the R&D personnel, which will be provided under the technical assistance portion of this loan proposal.

5. Validation of Learning Programs and the New Instructional System

In the sequence of major events under this project, this is the final task to be accomplished, and will be undertaken from the

beginning of the fourth year and continue until the project is completed. All the products and processes from the previous tasks will be assembled for tryout and testing as a complete system. This includes refining and revising the drafted instructional programs, materials and aids through repeated tryouts on small groups and classrooms. This task will be completed when the implementation of the total system in the pilot community has been accomplished and the desired evaluation data have been obtained and analyzed in terms of educational achievement. The questions related to nationwide implementation of the system will then be answered.

6. Training for Teachers, Administrators, and R&D Personnel

No educational innovations will realize their fullest potential unless they are wisely selected, properly supported and systematically utilized by teachers and administrators in the schools. There will be need for extensive training of teachers and administrators from the participant schools and for R&D personnel. The training focus upon the skills of instructional program development, and related knowledge in technology and applied behavioral psychology.

Teacher and administrator training can be started soon after the models of the new instructional materials and aids become available. Therefore, this activity should commence early in the third year, while the training for the R&D personnel should be completed within the first two years.

7. Development and Installation of the ITV System

A salient aspect of the proposed instructional system will be the adoption of advanced instructional technologies, both hardware and software, which will free students and teachers from the communication constraints of conventional classroom practices. Installing an appropriate, tested media system, ITV in combination with radio, within the pilot community is the prime objective of this supportive task.

The installation of the originating (i.e. broadcasting) facility must be completed by end of the second year of the project, 1973. The instructional radio system will not be developed independently; the programs will be broadcast over the existing educational radio system managed by the Korean government.

In establishing an instructional television system, the type and quality of equipment utilized in the construction and delivery of the program must be considered. Three basic categories of equipment are necessary: (1) TV originating facilities, (2) reception facilities, and (3) transmission and distribution facilities.

The projects' specific equipment requirements and related cost estimates, prepared for KEDL TV technicians, has been reviewed by A.I.D. and by equipment specialists in the communications industry. While slight variation of opinions may exist has to the relative advantages and disadvantages of makes and models of various equipment items, the overall equipment requirements are considered to have been adequately identified, and the related cost estimates are considered reasonable.

8. Production of ITV, Radio Programs and Other Programmed Materials

The second supporting action will be the development of the production system, studios, printing and reproduction facilities, to produce the required programs and materials. Two studios for the production of the 2700 hours of ITV programs will be established. Accordingly, there will be two separate ITV program production teams, each consisting of eight members (one production director, one communications engineer, six ITV technicians under one ITV manager in common with the other team). For the production of other programmed materials, KEDL will be equipped with complete printing and reproduction facilities including a graphic arts workshop.

At least half of the ITV and radio programs and other programmed materials and aids - that which may be utilized in the first period of the community experimentation - must be available by the end of 1974.

9. Public Information Work and Preparation for the Nationwide Implementation

The new educational approaches comprising the system proposed in this pilot project are expected to be the most significant changes that Korean elementary-middle school education has experienced. The instructional innovations, the differented staffing patterns among teachers, the revised methods of student grouping and school organization all may expect to be met with a degree of resistance from conservative teachers, administrators, and segments of the general public. To prepare the Korean government and KEDL for rigid responses and resistence from within the educational society and the community, a systematic public information program will be planned and conducted throughout the project. This will facilitate successful experimentation and the ultimate nationwide implementation of the educational reforms. This effort from the onset will be directed toward dissemination of the basic ideas of the proposed changes and their potential value for improvement of current elementary-middle school education. The program will take the form of publications, symposia, seminars, and public hearings employing various mass media, films and radio programs.

Because of the importance which A.I.D. attaches to public support of the project, the implementation of such a public information program will be a requirement of the loan in the form of a covenant in the loan agreement.

C. Technical Assistance and Overseas Coordination.

To assist with the planning and management of this comprehensive development project, KEDL will require foreign technical assistance. There will be a continuing requirement throughout the life of the project for short-term U. S. consultants representing a variety of specialties. It is intended to enter into a contractual agreement with a U. S. institution of higher education to coordinate and/or furnish this required technical support. The contracted institution, to be known as the Overseas Coordinator, will arrange for the specialized training of twenty mid-level KEDL staff members for periods ranging from six to eighteen months. In some instances this training will be provided directly by the Overseas Coordinator, and in other instances training will be arranged at other appropriate institutions.

The Coordinator will also furnish one technical adviser, who will reside in Korea, and assist the Director of KEDL in the day-to-day management of the project. In addition, the Overseas Coordinator will arrange for other short-term consultants as needed by the project. It is estimated that a total of 24 man months of such consulting will be required from January, 1973 through December, 1976.

The Coordinator will be expected to assist KEDL in the procurement of U. S. equipment and materials, participating in the definition of equipment specifications and serving as a communication link between KEDL and appropriate foreign vendors. Final decision and authorization of purchase will, however, reside with KEDL.

An additional responsibility of the Overseas Coordinator will be to provide a continuing information flow of new educational and technological developments having relevance to the Korean project. The Coordinator should be in a leadership position in the area of educational systems technology and should be aware of related developments in other knowledge centers. An important function of the Coordinator will be to link KEDL with current and relevant R&D activities in the U. S.

KEDL clearly recognizes the importance of the technical assistance component of this project, and is strongly of the opinion that Florida State University should provide said assistance. Given Florida State's

involvement in this project from its inception, its expertise in the field of educational technology, and its capacity to provide and/or coordinate the services required, the Project Committee is of the considered opinion that KEDL should receive A.I.D.'s approval to negotiate an appropriate contract with Florida State. Documentation justifying and recommending such approval will be processed in the immediate future.

D. Work Schedule

The first year of the five-year period will be devoted to planning. Topics or functional areas that need specific planning are listed under the first category appearing in the following work schedule, Chart 1. All eight specific plans should be developed by the end of the first year. Plans for activities 1, 6, 7, and 8 will guide all the subsequent research activities. Planning activities 2, 3, 4, and 5 concern KEDL's organizational and administrative development. Plans 7 and 8 must be completed as early as possible to give sufficient lead time for the following research activities and hardware system installation.

Nine specific task plans are listed under the second category in the chart. Tasks C and D relate to the software part of the proposed system, and task G relates to hardware. The lines represent rough estimates of the time period during which the specified task will be carried out so that the other related tasks can be undertaken at the appropriate time.

E. The Pilot City

Although not specifically identified as a separate event in the project work schedule, the selection of the locality in which the new system will be tested is a decision of considerable importance. As previously mentioned, the ROKG is conducting a study to determine which city would be the most appropriate for this purpose. Also, planning is underway for a nationwide public information program designed to win support for the project. This program will commence upon the signing of the loan, and the selection of the "pilot city" is expected to be made sometime in mid-1972.

Chart 1

Work Schedule

General Planning

1. General research design
2. Administrative and organization system development
3. Staffing and personnel development
4. Spacing and facilities
5. Budgeting
6. Instructional system development
7. ITV and radio system development and installation
8. Instructional programs and learning materials and aids development and production

Tasks to be Carried Out

Task A. Analysis and evaluation of current curricula and instructional practices

B. Design and development of new curricula and instructional system

C. Development and construction of adequate measurement devices

D. Development of instructional programs, materials, and aids

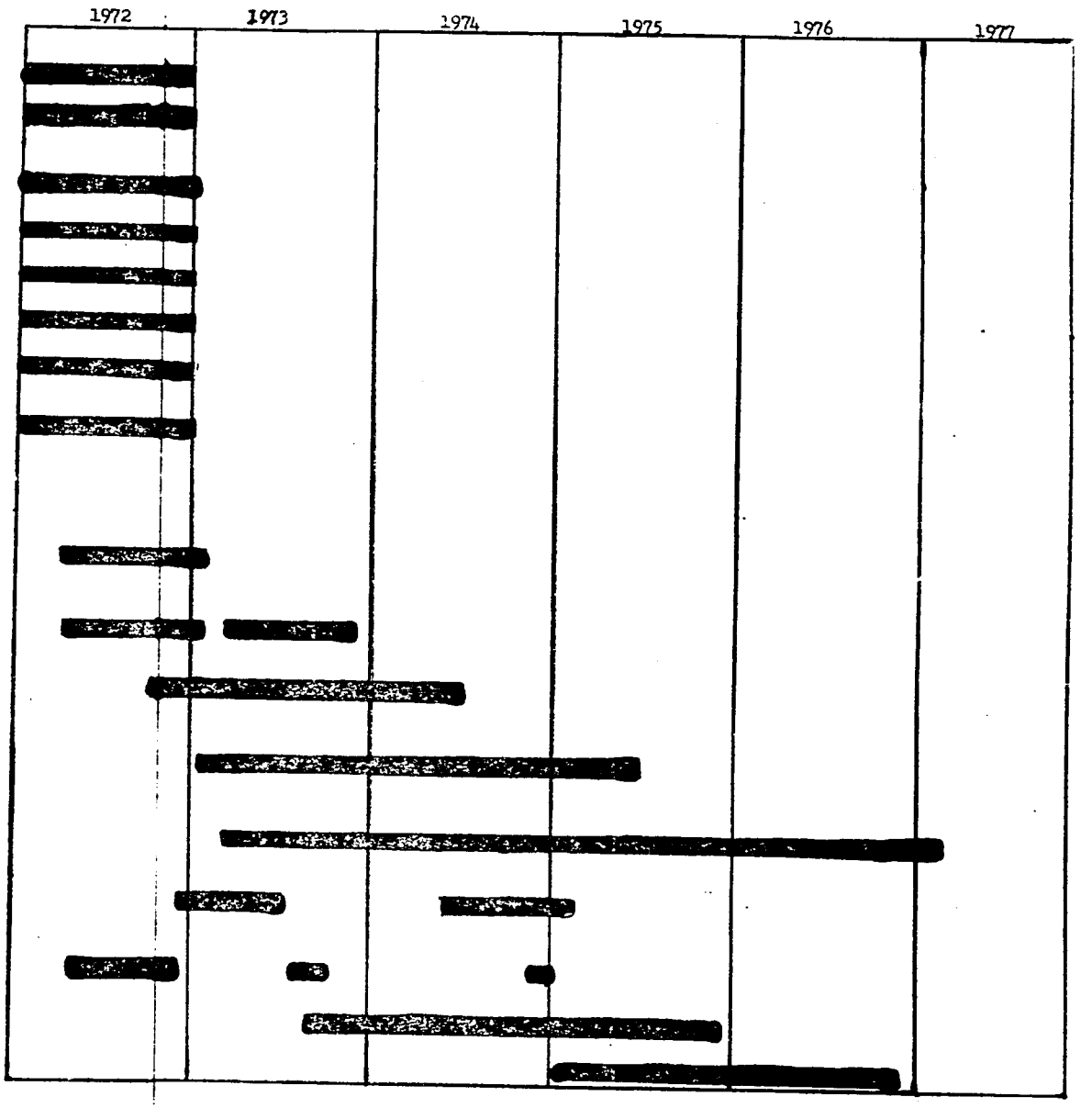
E. Validation of learning programs and new instructional system

F. Training for teachers, administrators, R&D personnel

G. Development and installation of ITV system

H. Production of developed ITV and other programmed materials and aids.

I. Public relations work and preparation for the nationwide implementation



V. Korea's Balance of Payments (BOP), and Debt Service Capacity

The growth and development of the Korean economy over the past five years has been impressive, to say the least. From 1966 through 1970, GNP (in constant 1965 prices) increased at an average annual rate of more than 10%, and total GNP growth for the period more than doubled that of the previous five years. There was a distinct shift in GNP composition, e.g. industrial production increased from 20% of the total in 1965 to 28% in 1970, and agriculture decreased from 39% to 26%. Even more dramatic was the comparative absolute performances of these two sectors; industrial output rose by 166%, while agriculture output increased only 18%. Exports, heavily emphasized by the ROKG, have grown by an average rate of approximately 33% over the five-year period. The Korean citizen has benefited noticeably from the economic expansion, as annual per capita income more than doubled, from approximately $115 in 1965 to approximately $250 in 1970.

To maintain the rates of growth described above, heavy investment has been required. Although domestic savings increased impressively and financed an annual average of 55% of gross investment, increasingly substantial capital inflows as well as credit expansion with resulting inflation have been necessary. Consequently, problems of financial management are a major concern to the ROKG.

Table 7. is a summary of Korea's BOP position, showing actual figures for 1970, preliminary figures for 1971, and projected figures for 1972-1974. These projections were prepared in early March, 1972 by the Mission, and reflect the recently agreed-to textile quotas as well as giving consideration to uncertainties of currency realignments. Beginning this year, Korea's trade deficit is expected to show an improving trend, declining from a minus $1.05 billion in 1971 to a minus $856 million in 1974. Unfortunately, the service and investment accounts show increasing imbalances, and net transfer receipts will be down somewhat, resulting in a rising BOP deficit, at least through 1974. Consequently, foreign capital requirements will remain fairly high.

As would be expected, Korea's external debt service requirements (principal on debt of over one year maturity, plus interest on all debt) have become rather high, amounting to 19.6% of foreign

exchange earnings in 1971, and that figure is projected to increase to 23.1% of such anticipated earnings by 1974 (see Table 8).

In view of Korea's overall BOP position, current and projected, a continuation of A.I.D.'s concessionary development loan terms[1/] is felt to be justified. On such terms, servicing this loan would require a maximum of $50,000 in any one year during the ten-year grace period, and approximately $127,000 annually thereafter. Given the projected increases in Korea's foreign exchange earnings vis-a-vis her total external debt servicing requirements, the prospects for repayment of this loan are considered reasonable.

1/ Repayment of principal within forty years, including a ten-year grace period; interest at 2% per annum during the grace period, and 3% per annum thereafter.

KOREA: BALANCE OF PAYMENTS POSITION

(Millions of Dollars)

	Actual	Preliminary	Projected		
Item	1970	1971	1972	1973	1974
Exports (FOB)	882	1,130	1,435	1,822	2,312
Imports (FOB)	1,804	2,185	2,447	2,794	3,168
Net Trade	-922	-1,055	-1,012	-972	-856
Receipts for Services	459	462	410	382	380
Payments for Services	303	322	363	422	470
Net Receipts for Services	156	140	47	-40	-90
Interest and Dividend Receipts	38	30	30	31	32
Interest and Dividend Payments	75	111	176	193	228
Net Investment Income	-37	-81	-146	-162	-196
Net Goods and Services	-803	-996	-1,111	-1,174	-1,142
Transfer Receipts	[illegible]	272	241	276	[illegible]
Transfer Payments	[illegible]	74	94	142	[illegible]
Net Transfer Receipts	180	198	147	134	[illegible]
Net Current Account	-623	-798	-964	-1,040	-1,008
Changes in Foreign Exchange Holdings	-34	49	-5	-	-
Net Capital Requirements	673	719	969	1,040	1,008
Errors and Omissions	-16	30	-	-	-

TABLE 8

KOREA: EXTERNAL DEBT SERVICE RATIOS 1970-1974

Item	1970	1971	1972	1973	1974
Debt Service (Million $)	291	318	424	497	629
Debt Service as Percent of Foreign Exchange Earnings	21.1	19.6	22.6	22.2	23.1
Debt Service as Percent of Commodity Exports	33.0	28.1	29.5	27.3	27.2

CHECKLIST OF STATUTORY CRITERIA

I. COUNTRY PERFORMANCE

A. Progress Towards Country Goals

1. FAA §§ 201(b)(5), 201(b)(7), 201(b)(8), 208. Discuss the extent to which the country is:

(a) Making appropriate efforts to increase food production and improve means for food storage and distribution.	(a) from 1961 through 1970 the National Income accounts show that the value added in the agriculture sector increased by approximately 50% (an average growth of 5% per year). Significantly, this decade included the two drought years of 1967 and 1968; however, significant investments have been made in irrigation facilities which will minimize future weather influences on production. In the past two years, rice prices have been allowed to increase substantially more than the 5% increase allowed in the previous three years. This increase will provide additional incentive for farmers to use fertilizer and pesticides required to increase production. Substantial effort and expenditure is being made to introduce new rice varieties, and to increase and improve food storage capacity.

(b) Creating a favorable climate for foreign and domestic private enterprise and investment;	(b) Korea has taken a number of effective steps to create a favorable investment climate. A liberal foreign investment law was enacted, and intensive study is being undertaken by the ROKG of means of expanding capital markets. An investment center has been established, and domestic investment has been assisted by a number of A.I.D. loans such as those to the Korea Development Bank.
(c) Increasing the people's role in the developmental process;	(c) Koreans are basically a homogeneous people whose society is relatively free and politically stable. Korea does not possess deep sectional, religious or social cleavages. Korea's rapid economic development benefits increasingly larger segments of the population.
(d) Allocating expenditures to development rather than to unnecessary military purposes or intervention in other free countries' affairs;	(d) Korea has wisely allocated its resources in such a way as to maximize its economic development while maintaining sufficient military forces to insure a relative freedom from threatened external aggression. Korea is not intervening in other free and independent nations' affairs.
(e) Willing to contribute funds to the project or program;	(e) The foreign exchange cost of this activity is estimated to be $1.9 million, which will be funded by the A.I.D. loan. The local currency portion of $4.7 million equivalent will be financed with ROKG-owned currency generated from the sale of U. S. rice to Korea.

(f) making economic, social and political reforms such as tax collection improvements and changes in land tenure arrangement; and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise;	(f) Korean land reform programs have eliminated the large land-holding class and have created a large number of independent farmers who own their own small farms. The ROKG has assisted in the establishment of a number of farm and fishery cooperatives which have been of significant assistance to the independent farm and fishery communities. Our Mission has also assisted the ROKG in its efforts to reform the equity of tax rates and collection procedures. These reforms have greatly increased both the amount of taxes collected and the equity with which the program is administered.
(g) responding to the vital economic, political and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.	(g) The ROKG has made significant progress in its efforts to provide a better life for the average Korean citizen. The Government has encouraged the rapid expansion of small and medium industry, stimulated the development of farmer credit unions and fishing cooperatives and has helped in many other ways to better the lot of its people. (See TOAID A-994 dated 3-6-67, and TOAID A-1220 dated 2-26-68).

B. Relations with the United States

1. FAA Sec. 620(c). Is the government indebted to any U. S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, including arbitration, or (b) the debt is not denied or contested by the government, or (c) the indebtedness arises under such government's or a predecessor's unconditional guarantee?

1. No such situation is known to exist.

2. FAA Sec. 620(d). If the loan is intended for construction or operation of any productive enterprise that will compete with U. S. enterprise, has the country agreed that it will establish appropriate procedures to prevent export to the U. S. of more than 20% of its enterprises annual production during the life of the loan?

2. The loan is not intended for such purposes.

3. FAA §620(e)(1). Has the country's government, or any agency or subdivision thereof, (a) nationalized or expropriated property owned by U.S. citizens or by any business entity not less than 50% beneficially owned by U. S. citizens, (b) taken steps to repudiate, or nullify existing contracts or agreements with such citizens or entity, or (c) imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operation conditions? If so, and more than six months has elapsed since such occurrence, identify the document indicating that the government, or appropriate agency or subdivision thereof, has taken appropriate steps to discharge its obligations under international law toward such citizens or entity. If less than six months has elapsed, what steps if any has it taken to discharge its obligations?

3. No such actions are known to have occurred.

4. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U. S. property, and failed to take appropriate measures to prevent a recurrence and to provide adequate compensation for such damage or destruction?	4. No such situation is known to have occurred.
5. FAA Sec. 620(l). Has the government instituted an investment guaranty program under FAA Sec. 221(b)(1) for the specific risks of inconvertibility and expropriation or confiscation?	5. Yes.
6. FAA §620(o). Fisherman's Protective Act of 1954, as amended, Section 5. Has the country seized, or imposed any penalty or sanction against, any U. S. fishing vessel on account of its fishing activities in international waters? If, as a result of a seizure, the U.S.G. has made reimbursement under the provisions of the Fisherman's Protective Act and such amount has not been paid in full by the seizing country, identify the documentation which describes how the withholding of assistance under the FAA has been or will be accomplished.	6. No.
7. FAA Sec. 620(q). Has the country been in default, during a period in excess of 6 months, in payment to the U.S. on any FAA loan?	7. No.
8. FAA Sec. 620(t). Have diplomatic relations between the country and the U.S. been severed? If so, have they been renewed?	8. Diplomatic relations between Korea and the United States have not been severed.

C. Relations with Other Nations and the U.N.

1. FAA Sec. 620(i). Has the country been officially represented at any international conference when that representation included planning activities involving insurrection or subversion directed against the U.S. or countries receiving U.S. assistance?

1. Korea is not known to have been so represented.

2. FAA Secs. 620(a), 620(n); Has the country sold, furnished, or permitted ships or aircraft under its registry to carry to Cuba or North Vietnam items of economic, military or other assistance?

2. No.

3. FAA Sec. 620(u); App. Sec. 108. What is the status of the country's U.N. dues, assessments or other obligations? Does the loan agreement bar any use of funds to pay U.N. assessments, dues or arrearages?

3. The Republic of Korea is not a member of the United Nations. The loan agreement will stipulate that only eligible commodities and services can be procured with the proceeds of the loan.

D. Military Situation

1. FAA Sec. 620(i). Has the country engaged in or prepared for aggressive military efforts directed against the U.S. or countries receiving U.S. assistance?

1. No.

2. FAA Sec. 620(s). What is (a) the percentage of the country's budget devoted to military purposes, and (b) the amount of the country's foreign exchange resources used to acquire military equipment, and (c) has the country spent money for sophisticated weapons systems purchased since the statutory limitation became effective?

2. (a) For the period 1967-1970, Korean defense budget expenditures have averaged 3.8 percent of GNP, not significantly above the mean for the region. In 1970 these expenditures as a percent of GNP were 3.7 percent, the same percentage for 1965.

(b) Foreign exchange purchases of military items were about $3 million over the period 1965 to 1968 and accounted for a negligible portion of the defense budget. In 1966 they were about $1 million, or 1% of total imports. Korean requirements for imports of military equipment have been provided under the Military Assistance Program.

State and A.I.D. have reviewed Korean actions under the Symington Amendment and have concluded that Korea is not diverting U.S. development assistance or PL 480 sales to military purposes. They also determined that Korea is not diverting its own resources to unnecessary military expenditures to a degree which materially interferes with its development. The Country Team concurs. The following points were among those taken into account in reaching this conclusion.

It is United States policy to assist South Korea in developing the capability to defend itself from Communist attack from the north and to counter Communist attempts at internal subversion. We also support South Korean contributions to regional mutual security efforts in Southeast Asia. At present South Korea has troops participating in the allied war effort in South Vietnam. Substantial military expenditures are necessary to support these objectives, and we are contributing to the Korean defense budget to help them finance these costs.

Korean defense budget expenditures as a percent of central government expenditures have declined from 32.0% in 1965 to 20% in 1970, below the mean for the region of 27.2%.

U.S. military budget support derived from PL 480 and Supporting Assistance proceeds has been decreasing, and at the same time the Koreans have been increasing their own military expenditures. The self-financed portion of the Korean defense budget has increased from 38.1% in 1965 to 86.6% in 1970. However, these expenditures have remained relatively stable as a percent of total central government expenditures: 11.7% in 1965 as compared to 15.4% in 1969. Korean self-financed defense expenditures as a percent of GNP rose from 2.7% in 1968 to 3.2% in 1970.

(c) No.

II. CONDITION OF THE LOAN

A. General Soundness

Interest and Repayment

1. FAA §§201(d), 201(b)(2). Is the rate of interest excessive or unreasonable for the borrower? Are there reasonable prospects for repayment? What is the grace period interest rate; the following period interest rate? Is the rate of interest higher than the country's applicable legal rate of interest?

The proposed loan contains a rate of interest which is concessionary. The borrower has the capacity to repay the loan at the rates of interest to be required. The rates in the proposed loan are 2% per annum during the grace period and 3% per annum thereafter for the remaining thrity years of the repayment period. The interest rate is not higher than the country's applicable legal rate of interest.

Financing

1. FAA §201(b)(1). To what extent can financing on reasonable terms be obtained from other free-world sources, including private sources within the U.S.?

Financing of this activity on terms comparable to those proposed for this loan is not known to be available from other free-world sources, including private sources within the U.S.

Economic and Technical Soundness

1. FAA §§201(b)(2), 201(e). The activity's economic and technical soundness to undertake loan; does the loan application, together with information and assurances, indicate that funds will be used in an economically and technically sound manner?	1. The project is economically and technically sound, and the loan application and other information available to the Mission indicates that the loan funds will be used in an economically and technically sound manner.
2. FAA §611(a)(1). Have engineering, financial, and other plans necessary to carry out assistance, and a reasonably firm estimate of the cost of assistance to the U.S., been completed?	2. Yes.
3. FAA §611(b); App. §101. If the loan or grant is for a water or related land-resources construction project or program, do plans include a cost-benefit computation? Does the project or program meet the relevant U.S. construction standards and criteria used in determining feasibility?	3. Not applicable.
4. FAA §611(e). If this is a Capital Assistance Project with U.S. financing in excess of $1 million, has the principal A.I.D. officer in the country certified as to the country's capability effectively to maintain and utilize the project?	4. The principal A.I.D. officer in Korea has so certified (see Annex C).

B. Relation to Achievement of Country and Regional Goals

Country Goals

1. FAA §§207, 281(a). Indicate this loan's relation to:	
a. Institutions needed for a democratic society and to assure maximum participation on the part of the people in the task of economic development.	1.(a) This loan will help provide resources necessary for the development of basic reforms in one of the most important institutions of a modern democratic society - that of public education. A specific objective of the reform effort is to provide young Korean people with an education more relevant to the roles they will assume in their society, thereby enabling them to participate more fully in the society's task of economic development.
b. Enabling the country to meet its food needs both from its own resources and through development, with U.S. help, of infrastructure to support increased agricultural productivity.	(b) There is no direct relationship.
c. Meeting increasing need for trained manpower.	(c) As a result of the improvements to be made in education at the elementary and middle-school levels, those entering the labor force in the future are expected to be in a far better position to benefit from vocational and on-the-job training, thereby contributing to the supply of trained manpower.
d. Developing programs to meet public health needs.	(d) There is no direct relationship.

e. Assisting other important economic, political, and social development activities, including industrial development; growth of free labor unions; cooperatives and voluntary agencies; improvement of transportation and communication systems; capabilities for planning and public administration; urban development; and modernization of existing laws.	(e) For the same reasons stated in (a) above, this loan can be expected to have a definite positive impact on Korea's economic political and social development activities in general. However, it is difficult to identify a direct relationship to such specific activities as labor unions, cooperatives and voluntary agencies, improvement of transportation and communication systems, etc.
2. FAA §201(b)(4). Describe the activity's consistency with and relationship to other development activities, and its contribution to realizable long-range objectives.	2. The relationship between a better-educated society and the attainment of that society's realizable long-range objectives is, rather obviously, a positive one.
3. FAA §201(b)(9). How will the activity to be financed contribute to the achievement of self-sustaining growth?	3. See Item 1.(a), (c) and (e) above.
4. FAA §201(f). If this is a project loan, describe how such project will promote the country's economic development, taking into account the country's human and material resource requirements and the relationship between ultimate objectives of the project and overall economic development.	4. See Item 1.(a), (c) and (e) above.
5. FAA §201(b)(3). In what ways does the activity give reasonable promise of contributing to development of economic resources, or to increase of productive capacities.	5. See Items 1. and 2. above.

6. FAA §281(b). How does the program under which assistance is provided recognize the particular needs, desires, and capacities of the country's people; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in political processes.

6. As stated in Item 1.(a) above, a specific objective of the activity to be financed is to substantially improve the relevance of Korean elementary and middle school education to the individual's role in his society, which in turn will enhance the utilization of his capacities and his participation in the country's developmental and political processes.

7. FAA §601(a). How will this loan encourage the country's efforts to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions?

7. The likely effect of this loan on the country's efforts to improve the technical efficiency of industry is primarily related to a better-prepared labor force in the future (see Item 1.(c) above). The loan's effect on such areas as international trade, private initiative and competition, cooperatives, credit unions and savings and loan associations, monopolistic practices and labor unions can only be described as indirect.

8. FAA §202(a). Indicate the amount of money under the loan which is: going directly to private enterprises; going to intermediate credit institutions or other borrowers for use by private enterprise; being used to finance imports from private sources; or otherwise being used to finance procurements from private sources.

8. Of the total $1.9 million being provided, approximately $1.2 million will finance procurement from private sources; the balance of $.7 million will finance technical assistance.

9. FAA §611(a)(2). What legislative action is required within the recipient country? What is the basis for a reasonable anticipation that such action will be completed in time to permit orderly accomplishment of purposes of loan?

9. No legislative action will be required as a condition precedent to this loan.

Regional Goals

1. FAA §619. If this loan is assisting a newly independent country, to what extent do the circumstances permit such assistance to be furnished through multilateral organizations or plans?

1. Korea is not a newly independent nation.

2. FAA §209. If this loan is directed at a problem or an opportunity that is regional in nature, how does assistance under this loan encourage a regional development program? What multilateral assistance is presently being furnished to the country?

2. This loan is not directed at a regional problem.

Korea is a member of the Asian Development Bank (ADB) and is receiving assistance from the World Bank. Both of these organizations are expected to become increasingly active in Korea.

C. Relation to U.S. Economy

Employment, Balance of Payments, Private Enterprise.

1. FAA §§201(b)(6); 102, Fifth. What are the possible effects of this loan on U.S. economy, with special reference to areas of substantial labor surplus? Describe the extent to which assistance is constituted of U.S. commodities and services, furnished in a manner consistent with improving the U.S. balance of payments position.

1. There is not expected to be any adverse effect from this loan on the U.S. in areas of substantial labor surplus. The U.S. will be an eligible source country of commodities to be financed under the loan. Also, 50/50 shipping regulations will apply.

2. FAA §§612(b);636(h). What steps have been taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. and local currencies contributed by the country are utilized to meet the cost of contractual and other services, and that U.S. foreign owned currencies are utilized in lieu of dollars?

2. The loan proceeds will be used exclusively to finance foreign exchange costs. All local costs will be funded by host country-owned local currency.

3. FAA §601(d); App. §1151. If this loan is for a capital project, to what extent has the Agency encouraged utilization of engineering and professional services of U.S. firms and their affiliates? If the loan is to be used to finance direct costs for construction, will any of the contractors be persons other than qualified nationals of the country or qualified citizens of the U.S.? If so, has the required waiver been obtained.	3. All goods and services financed under this loan will be from A.I.D. Geographic Code 941.
4. FAA §608(a). Provide information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.	4. U.S. Government Excess Property will not be utilized for this Project. The highly technical nature of the equipment to be procured, and the necessity of having the most recently-produced equipment precludes use of excess property.
5. FAA §602. What efforts have been made to assist U.S. small business to participate equitably in the furnishing of commodities and services financed by this loan?	5. Equipment procurement under the loan will be according to established A.I.D. procurement procedures and will follow normal commercial trade practices to the maximum extent allowable, thereby assisting U.S. small business to participate in furnishing the commodities to be financed
6. FAA §621. If the loan provides technical assistance, how is private enterprise on a contract basis utilized? If the facilities of other Federal agencies will be utilized, in what ways are they particularly suitable; are they competitive with private enterprise (if so, explain); and how can they be made available without undue interference with domestic programs?	6. Given the nature of this activity, i.e. education, it is anticipated that the technical assistance portion will be provided by a U.S. university under contract to the ROKG. Facilities of other Federal agencies are not likely to be utilized.

7. FAA §611(c). If this loan involves a contract for construction that obligates in excess of $100,000, will it be on a competitive basis? If not, are there factors which make it impracticable.	7. The loan does not involve such a construction contract.
Procurement	
1. FAA §602(a). Will commodity procurement be restricted to U.S. except as otherwise determined by the President?	1. Commodity procurement under this loan will adhere to the President's directives regarding the untying to AID procurement as set forth in applicable AID Regulations.
2. FAA §604(b). Will any part of this loan be used for bulk commodity procurement at adjusted prices higher than the market price prevailing in the U.S. at time of purchase?	2. No.
3. FAA §604(c). Will any part of this loan be used for procurement of any agricultural commodity or product thereof outside the U.S. when the domestic price of such commodity is less than parity?	3. No.
D. Other Requirements	
1. FAA §201(b). Is the country among the 20 countries in which development loan funds may be used to make loans in this fiscal year?	1. Yes.
2. App. §106. Does the loan agreement provide, with respect to capital projects, for U.S. approval of contract terms and firms?	2. Contracts financed by the loan will have such approval.

3. FAA §620(k). If the loan is for construction of a production enterprise, with respect to which the aggregate value of assistance to be furnished will exceed $100 million, what preparation has been made to obtain the express approval of the Congress?	3. Not applicable.
4. FAA §620(b), 620(f); App. §109(b). Has the President determined that the country is not dominated or controlled by the international Communist movement? If the country is a Communist country (including, but not limited to, the countries listed in FAA §620(f) and the loan is intended for economic assistance, have the findings required by FAA §620(f) and App. §109(b) been made and reported to the Congress?	4. Yes, the required determination has been made.
5. FAA §620(h). What steps have been taken to insure that the loan will not be used in a manner which, contrary to the best interest of the United States, promotes or assists the foreign aid projects of the Communist-bloc countries?	5. The Loan Agreement will contain a provision covering this requirement.
6. App. §118. Will any funds be used to finance procurement of iron and steel products for use in Vietnam other than as contemplated by §118?	6. No.
7. FAA §636(i). Will any part of this loan be used in financing non-U.S.-manufactured automobiles? If so, has the required waiver been obtained?	7. The loan will not be so used.
8. FAA §§620(a)(1) and (2), 620(p); App. §117. Will any assistance be furnished or funds made available to the government of Cuba or the United Arab Republic?	8. No.

9. FAA §620(g). Will any part of this loan be used to compensate owners for expropriated or nationalized property? If any assistance has been used for such purpose in the past, has appropriate reimbursement been made to the U.S. for sums diverted?	9. The loan will not be used and no such assistance has been used for such purposes in the past.
10. FAA §201(f). If this is a project loan, what provisions have been made for appropriate participation by the recipient country's private enterprise?	10. A portion of the work can be expected to be accomplished through direct hire personnel and subcontracts with private firms in the recipient country.
11. App. §104. Does the loan agreement bar any use of funds to pay pensions, etc., for persons who are serving or who have served in the recipient country's armed forces?	11. Yes. The Loan Agreement will cover this requirement.
12. MMA §901.b. Does the loan agreement provide for compliance with U. S. shipping requirements, that at least 50% of the gross tonnage of all commodities financed with funds made available under this loan (computed separately by geographic area for dry bulk carriers, dry cargo liners, and tankers) be transported on privately owned U. S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates for U. S. flag vessels?	12. Yes.

A.I.D. Loan No.
AID-DLC

CAPITAL ASSISTANCE LOAN AUTHORIZATION

Provided from: Development Loan Funds
(Korea: Elementary/Middle School Pilot Project)

Pursuant to the authority vested in the Assistant Administrator, Bureau for Asia, of the Agency for International Development (A.I.D.) by the Foreign Assistance Act of 1961, as amended, and the Delegations of Authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter II, Title I, the Development Loan Fund, to the Government of the Republic of Korea (Borrower) of not to exceed Two Million Five Hundred Thousand Dollars ($2,500,000) to assist in financing the foreign exchange costs of certain educational equipment, materials and supplies, including library books, and of technical assistance required to implement a pilot project in elementary/middle school education in the Republic of Korea. This project will involve the development of a revised system of education for this level of Korean schools, relying heavily on current technologies in all phases of instruction. Upon completion of the development phase, the project will be implemented for a trial period in the elementary/middle school system of a Korean city. The loan is to be subject to the following terms and conditions:

1. Interest Rate and Terms of Repayment

The interest on this loan shall be two percent (2%) per annum on the disbursed balance of the loan during the first ten (10) years of the loan and three precent (3%) per annum for the remaining thirty (30) years of the loan. The principal of the loan shall be repaid in full within forty (40) years from the date of the first disbursement under the loan and such repayment shall include a grace period of not to exceed ten (10) years from the date of the first disbursement.

2. Currency of Repayment

Provision shall be made for repayment of the loan and payment of the interest in United States dollars.

3. Other Terms and Conditions

a. The project shall be carried out in general conformity with the project plan submitted as part of the application for this loan.

b. The agency responsible for implementing this project on behalf of the Borrower shall be the Korea Educational Development Laboratory, operating under the Ministry of Education.

c. Borrower shall institute an appropriate public information program concerning the project.

d. Borrower shall provide all Korean won and other resources required for punctual and effective implementation of the project.

e. Unless A.I.D. agrees otherwise in writing, equipment, materials and technical assistance financed under this loan shall have their source and origin in countries under A.I.D. Geographic Code 941 (Selected Free World).

f. The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Donald G. MacDonald

Clearances:
Asia/EA/CDF:Selig A. Taubenblatt_____ Date_____
Asia/DP:Alfred White_____ Date_____
Asia/KPA/K:Chester S. Bell_____ Date_____
SA/IR/ENGR:Merten Vogel_____ Date_____
GC/Asia/EAD:Herbert Morris_____ Date_____
A/CONT:Charles Flinner_____ Date_____
PPC/DF:John H. Kaufmann_____ Date_____

Draft:
GC/Asia/EAD:HEMorris:hp:pmd

AID-DLC/P-1009
Annex C

CERTIFICATION PURSUANT TO SECTION 611 (e) OF
THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Michael H. B. Adler, the principal officer of the Agency for International Development in Korea, having taken into account, among other things the maintenance and utilization of projects in Korea previously financed or assisted by the United States, do hereby certify that in my judgement Korea has both the financial capability and the human resources capability to effectively utilize the capital assistance to be provided under the Education Sector Pilot Project.

Michael H. B. Adler

23 Feb 1972
Date